(4)

No. 90-659

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

KEITH R. GOLLUST, PAUL E. TIERNEY, JR., AUGUSTUS K. OLIVER, GOLLUST, TIERNEY AND OLIVER, GOLLUST & TIERNEY, INC., CONISTON PARTNERS, CONISTON INSTITUTIONAL INVESTORS, BAKER STREET PARTNERS, WJB ASSOCIATES and HELSTON INVESTMENT INC.,

Petitioners,

—v.—

IRA L. MENDELL, in behalf of Viacom Inc. and, alternatively, Viacom International Inc., VIACOM INC. and VIACOM INTERNATIONAL INC.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

JOINT APPENDIX

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PETITION FOR CERTIORARI FILED OCTOBER 23, 1990
CERTIORARI GRANTED JANUARY 7, 1991

4/7

TABLE OF CONTENTS

The following items have been omitted in printing this Joint Appendix because they appear on the following pages in the Appendices to the Petition for a Writ of Certiorari:

CHRONOLOGICAL LIST OF RELEVANT DOCKET ENTRIES

District Court

1-6-87	Fld. Complaint; Issd. Summons & Notice purs. to 28 U.S.C. 636(c). Jury Trial Demanded.
2-24-87	Fld. ANSWER of defts. other than Viacom International Inc. to the complt.
3-6-87	Fld. ANSWER of deft. Viacom International Inc. to the complt.
10-16-87	Fld. Pltff. IRA L. MENDELL'S Motion for Leave to File Proposed AMENDED COMPLAINT, for an Order pursuant to Rule 15(a) of the FRPC [sic] granting leave to pltff to file the annexed complaint, and for such other and further relief as this Court may deem just and proper.
10-16-87	Fld. Memorandum In Support of Pltff's Motion For Leave to File AMENDED COMPLAINT.
11-10-87	Fld. Memo Endorsed on letter dated November 4, 1987 to Judge Leisure, for an adjournment of the proceedings relating to pltff's motion to amend the complaint, now pending before your Honor, until March 1, 1988 in the expectation that the Court of Appeals will have decided the appeal un [sic] Untermeyer by the date . . . SO ORDERED, LEISURE, J.
2-29-88	STIPULATION, defts consents [sic] to pltffs proposed amended complt . . . pltff will serve & file amended complt. by 3/15/88 . . . Mukasey, J.
3-8-88	Fld. Scheduling Order, if 2nd circuit does not decide or deny application for rehearing en bac [sic] in Untermeyer V. Valhi by 4/15/88 defts to serve summary judgment motion by 4/29/88 . . answers 5/20/88 . . . reply served by 6/3/88 . . If the 2nd circuit grants application this schedule will be suspended . . . Mukasey, J.

3-15-88 Fld. Pltffs AMENDED COMPLT. Jury Trial Demanded.

4-12-88 Fld. STIPULATION, the defts other than Viacom Internaitonal [sic] & Viacom Inc., will serve motion for dismissal & for summary judgment with respect to the Amended complt by 5/30/88 . . answer or opposition papers of pltff shall be served by 6/20/88 . . reply of defts served by 7/1/88 . . . Mukasey, J.

5-27-88 Fld. Defts other than Viacom International Inc., & Viacom's MEMO OF LAW in support of defts motion for summary judgment.

5-27-88 Fld. Defts other than Viacom International Inc. & Viacom's NOTICE OF MOTION for an order for summary judgment dismissing pltffs amended complt. RET: 7/5/88.

6-23-88 Fld. Pltffs MEMO in opposition to defts motion for summary judgment.

6-23-88 Fld. Pltffs AFFIDAVIT & Accompanying rule 3g Statement.

7-5-88 Fld. Defts other than Viacom International & Viacom Inc's Statement purs to rule 3g.

11-9-88 Fld. OPINION & ORDER # 63376, Summary judgment for defts disposes entirely of pltffs claims and requires dismissal of this action as to International & Viacom . . . . Mukasey, J.

12-6-88 Fld. Pltffs NOTICE OF APPEAL from the order dated 11/8/88 granting defts motion for summ judgment dismissing the complt.

1-17-89 Fld. JUDGMENT, ordered that complt. be dismissed . . . RFB, Clerk. EOD 1/18/89.

3-2-89 Fld. Pltffs NOTICE OF MOTION for an order relieving pltff of the order of the court dated 11/8/88 and the judgment of the court dated 1/17/89, granting defts motion for summ. judmgent [sic] and dismissal of the complt. RET: 4/7/89.

3-2-89 Fld. Pltffs MEMO in support of pltffs motion for an order relieving pltffs of courts order and judgment of dismissal.

3-24-89 Fld. deft's AFFDVT of EDWIN B. MISHKIN.

3-24-89 Fld. deft's MEMO of LAW in opp. to ptlf's [sic] motion to vacate Ct.'s order & judgt.

4-4-89 Fld. Pltffs REPLY Affidavit of I. Malchman in support of the instant motion by pltff in re to order dtd 1/17/89.

4-4-89 Fld. Pltffs REPLY MEMO in support of pltffs motion for an order relieving pltffs court order and judgment of dismissal. (oral argument requested)

4-12-89 Fld. Sur Reply MEMO OF LAW in opposition to pltffs motion to vacate this courts order and judgment of dismissal.

5-24-89 Fld. OPINION & ORDER # 64338 . . . Mendell has failed to meet the applicable legal standards for vacating the earlier order dismissing his claim. Accordingly, his motion for relief from that order and the judgment dismissing his action is denied . . . Mukasey, J.

6-20-89 Fld. Pltffs NOTICE OF APPEAL to the USCA 2nd circuit from the order dated 5/23/89.

Court of Appeals

8-11-89 ORDER Consolidating Appeals 89-7068 and 89-7686 filed (Clerk)

11-21-89 Case heard before OAKES, CH.J., CARDAMONE, C.JJ., POLLACK, D.J.

1-10-90 Amicus Curiae SEC brief filed w/pfs (to panel)

7-25-90 Judgment AFFIRMED, REVERSED and REMANDED by published signed opinion *FILED* (RJC)

7-25-90	Judge POLLACK dissenting in separate opinion
7-25-90	Judgment FILED
8-16-90	Mandate (judgment & opinion) issued.
10-26-90	Notice of filing of petition for writ of certiorari filed. SC:90-659

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of VIACOM INTERNATIONAL, INC. and VIACOM INC.

Plaintiff,

—against—

KEITH R. GOLLUST, *et al.*

Defendants.

NOTICE OF MOTION

PLEASE TAKE NOTICE that, upon the accompanying Memorandum of Law and Affidavit of Edwin B. Mishkin, defendants herein other than Viacom International, Inc. and Viacam, [sic] Inc., by their undersigned attorneys, will move this Court before the Hon. Michael B. Mukasey, United States Courthouse, Foley Square, New York, New York, in Room 615, on July 5, 1988, or as soon thereafter as counsel may be heard, for an order pursuant to Fed. R. Civ. P. 56 for summary judgment dismissing plaintiff's amended complaint, and for such other and further relief as may be just and proper;

PLEASE TAKE FURTHER NOTICE that, pursuant to a Stipulation between the undersigned counsel and counsel for the plaintiff, any answering or opposition papers of plaintiff shall be served no later than June 20, 1988, and that any reply papers of the moving defendants shall be served no later than July 1, 1988.

Dated: New York, New York
May 27, 1988

CLEARY, GOTTLIEB, STEEN & HAMILTON

By /s/ EDWIN B. MISHKIN
A Member of the Firm
One State Street Plaza
New York, New York 10004
(212) 344-0600

Attorneys for Defendants other than Viacom International, Inc. and Viacom Inc.

TO:

KAUFMAN MALCHMAN KAUFMANN & KIRBY
919 Third Avenue
New York, New York 10022
(212) 371-6600

Attorneys for Plaintiff Ira L. Mendell

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of VIACOM INTERNATIONAL, INC. and VIACOM INC.

Plaintiff,

—against—

KEITH R. GOLLUST, *et al.*

Defendants.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

AFFIDAVIT OF EDWIN B. MISHKIN

EDWIN B. MISHKIN, being duly sworn, deposes and says:

1. I am a member of the bar of the State of New York and the bar of this Court and am a member of the law firm of Cleary, Gottlieb, Steen & Hamilton, attorneys for defendants herein other than Viacom International, Inc. ("Viacom") and Viacam, [sic] Inc. ("VI"). I submit this affidavit and the exhibits hereto in support of the Motion for Summary Judgment of defendants herein other than Viacom and VI.

2. Attached hereto as Exhibit 1 are true and correct copies of a Letter to Shareholders of Viacom dated May 4, 1987, a Notice to Shareholders of Viacom dated May 4, 1987, and the Proxy Statement of Viacom/Prospectus of VI dated May 4, 1984 (the "Proxy Statement") and, annexed to the Proxy

Statement as Annex A, an Agreement of Merger dated March 3, 1987.

3. Attached hereto as Exhibit 2 is a certified copy of a Certificate of Merger of Arsenal Acquiring Corp. ("Arsenal") into Viacom, filed with the Secretary of State of the State of Delaware on June 8, 1988.

4. Attached hereto as Exhibit 3 is a certified copy of a Certificate of Merger of Arsenal into Viacom, filed with the Secretary of State of the State of Ohio on June 9, 1987.

Dated: New York, New York
May 27, 1988

/s/ EDWIN B. MISHKIN
Edwin B. Mishkin

Sworn to before me this
27th day of May, 1988

(Remainder of jurat omitted in printing)

[Exhibit 1 to Mishkin Affidavit]

(Logo omitted in printing)

VIACOM INTERNATIONAL INC.
1211 Avenue of the Americas
New York, New York 10036

May 4, 1987

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Viacom International Inc. (the "Company") to be held on Wednesday, June 3, 1987, at 9:00 A.M., local time, at the Viacom Conference Center, 140 West 43rd Street, New York, New York. At this important meeting you will be asked to consider and vote upon the proposed merger of Arsenal Acquiring Corp. ("Acquisition"), a wholly owned subsidiary of Viacom Inc. (formerly known as Arsenal Holdings, Inc.) ("Holdings"), with and into the Company (the "Merger"), pursuant to an Agreement of Merger, dated as of March 3, 1987 (the "Merger Agreement"), by and among Holdings, Acquisition and the Company. Holdings is a wholly owned subsidiary of National Amusements, Inc., a Maryland corporation ("National Amusements"), all of the voting stock of which is controlled by Sumner M. Redstone.

The Merger Agreement provides that each share of Common Stock, par value $1.00 per share, of the Company (the "Company Common Stock") owned by the shareholders of the Company (other than dissenting shares and shares held by the Company, Holdings, Acquisition or any other subsidiary of Holdings) immediately prior to the consummation of the Merger will be converted into (i) the right to receive $42.75 in cash plus an interest factor in an amount equal to simple interest on such cash amount from May 1, 1987 through the effective time of the Merger (the "Effective Time") at an annual rate of 9% from May 1, 1987 through May 31, 1987 and 12% thereafter, (ii) 0.30097 of a share of Cumulative Exchangeable Redeemable Preferred Stock, par value $0.01

per share, of Holdings (the "Exchangeable Preferred Stock") accruing dividends from May 1, 1987 and (iii) 0.20 of a share of Common Stock, par value $0.01 per share, of Holdings (the "Holdings Common Stock") (collectively, the "Merger Consideration"), all as more fully described in the accompanying Proxy Statement/Prospectus. The fraction of a share of Exchangeable Preferred Stock included as part of such Merger Consideration was chosen following a negotiation contemplated by the Merger Agreement between the financial advisor to the Special Committee of the Company's Board of Directors and the financial advisor to Holdings as to the fraction which on April 30, 1987 would have an expected market value on a fully distributed basis of approximately $7.75 (excluding the value of dividends accruing from May 1, 1987 to the Effective Time). Since it is likely that general market conditions and possible that the Company's business circumstances will be different when the Exchangeable Preferred Stock actually trades (either initially or subsequently on a fully distributed basis), *there can be no assurance that the actual market value of such fraction of a share of Exchangeable Preferred Stock following the Effective Time (excluding accrued dividends) will not be less than $7.75.*

The Exchangeable Preferred Stock will have a liquidation preference of $25 per share, and will bear cumulative quarterly dividends at the annual rate of 15.5%, payable in cash when, as and if declared out of funds legally available therefor or, through the first dividend payment date following the sixth anniversary of the Effective Time, at Holdings' option, in additional shares of Exchangeable Preferred Stock in lieu of cash, at the rate of 0.04 of a share of Exchangeable Preferred Stock for each $1.00 of such dividends not paid in cash. Dividends on the Exchangeable Preferred Stock shall accrue from May 1, 1987. The declaration and payment of cash dividends on the Exchangeable Preferred Stock is expected to be effectively prohibited for the first six years following the Effective Time, and to be significantly restricted thereafter, as a result of the terms of financing agreements to be entered into by Acquisition in connection

with the Merger; accordingly, it is expected that dividends on the Exchangeable Preferred Stock will be paid in additional shares of Exchangeable Preferred Stock in lieu of cash for the first six years following the Effective Time. The Exchangeable Preferred Stock will be exchangeable, at any time at Holdings' option, for Junior Subordinated Exchange Debentures of Holdings (the "Exchange Debentures").

As a result of the Merger, the outstanding shares of Company Common Stock will be cancelled, and the Company will become a wholly owned subsidiary of Holdings. The shares of Holdings Common Stock issued as part of the Merger Consideration will, in the aggregate, represent approximately 17.4% of the Holdings Common Stock outstanding immediately following consummation of the Merger, assuming (i) the conversion and exercise prior to the Effective Time of all outstanding securities and warrants convertible into or exercisable for shares of Company Common Stock, (ii) the settlement of all outstanding options to purchase Company Common Stock for the Merger Consideration and (iii) the failure of any shareholders to perfect dissenters' rights ((i), (ii) and (iii) collectively being hereinafter referred to as "full participation in the Merger"). Assuming full participation in the Merger, National Amusements will own approximately 82.6% of the Holdings Common Stock. For a description of Holdings, Acquisition and National Amusements, see "CERTAIN INFORMATION REGARDING HOLDINGS, ACQUISITION AND NATIONAL AMUSEMENTS" in the accompanying Proxy Statement/Prospectus.

The consummation of the Merger is subject, among other things, to the receipt of certain regulatory approvals which may not be obtained prior to the date of the Special Meeting of Shareholders and to the availability of the necessary financing. See "RISK FACTORS", "THE MERGER AGREEMENT—Covenants and Conditions".

You are urged to read the accompanying Proxy Statement/Prospectus, which provides you with a detailed description of the terms of the proposed Merger as well as of the Exchangeable Preferred Stock, the Exchange Debentures and the Hold-

ings Common Stock. *A continuing investment in Holdings following the Merger involves a high degree of risk.* You are urged to read the "RISK FACTORS" section of the accompanying Proxy Statement/Prospectus for a description of such risks. A copy of the Merger Agreement is attached as Annex A to the Proxy Statement/Prospectus. Please give this information your careful attention.

A Special Committee appointed by the Board of Directors of the Company, consisting of all the independent members of the Board (the "Special Committee"), has carefully reviewed and considered the terms and conditions of the proposed Merger. In connection with its review, the Special Committee retained Goldman, Sachs & Co. ("Goldman Sachs") to act as its financial advisor. Goldman Sachs have rendered an opinion that, based upon and subject to the matters contained in their opinion letter, as of the date hereof the Merger Consideration to be received by the holders of Company Common Stock (other than Holdings, Acquisition or any other subsidiary of Holdings) pursuant to the Merger Agreement is fair to such holders. The full text of the opinion of Goldman Sachs is attached to the Proxy Statement/Prospectus as Annex C, to which reference is made for a complete description of the procedures followed, assumptions made, areas of reliance upon others and the other matters considered by Goldman Sachs in arriving at their opinion. Shareholders are urged to read the full text of the Goldman Sachs opinion.

The Special Committee has unanimously determined that the terms of the Merger are fair to, and in the best interests of, the shareholders of the Company (other than National Amusements) and has unanimously recommended that the Board of Directors of the Company approve the Merger Agreement. The Board of Directors has approved the Merger Agreement and recommends that shareholders of the Company vote FOR approval of the Merger Agreement. For a further discussion of the factors considered by the Special Committee during the course of its evaluation of the Merger, see "BACKGROUND OF THE MERGER AND RELATED

MATTERS—Recommendations of the Company's Special Committee and Board of Directors; Reasons for the Merger" in the accompanying Proxy Statement/Prospectus.

Shareholders of the Company who do not vote in favor of the Merger and who comply with the requirements of Section 1701.85 of the Ohio General Corporation Law will have the right, if the Merger is consummated, to seek appraisal of their shares of Company Common Stock. See "RIGHTS OF DISSENTING SHAREHOLDERS" in the accompanying Proxy Statement/Prospectus, and Annex D thereto, for a description of the procedures required to be followed in order to perfect dissenters' rights.

The Merger cannot be effected unless it is approved by the holders of at least a majority of all outstanding shares of Company Common Stock entitled to vote at the Special Meeting. *Accordingly, your vote is important, no matter how large or small your holdings may be.*

Whether or not you are personally able to attend the Special Meeting, please complete, sign, date and return the enclosed proxy as soon as possible. You may, of course, attend the Special Meeting and vote in person even if you have previously returned your proxy.

Sincerely,

/s/ Terrence A. Elkes

TERRENCE A. ELKES
President and Chief Executive Officer

* * * *

PROXY STATEMENT/PROSPECTUS

PROXY STATEMENT

VIACOM INTERNATIONAL INC.
1211 Avenue of the Americas
New York, New York 10036
(212) 575-5175

PROSPECTUS

VIACOM INC.

Common Stock
Cumulative Exchangeable Redeemable Preferred Stock
Junior Subordinated Exchange Debentures Due 2006

SPECIAL MEETING OF SHAREHOLDERS
To Be Held on June 3, 1987

This Proxy Statement/Prospectus is being furnished to shareholders of Viacom International Inc., an Ohio corporation (the "Company"), in connection with the proposed merger (the "Merger") of Arsenal Acquiring Corp., a Delaware corporation ("Acquisition") and a wholly owned subsidiary of Viacom Inc., a Delaware corporation (formerly known as Arsenal Holdings, Inc.) ("Holdings"), with and into the Company, pursuant to an Agreement of Merger, dated as of March 3, 1987 (the "Merger Agreement"), by and among Holdings, Acquisition and the Company. As a result of the Merger, the Company would become a wholly owned subsidiary of Holdings, and the shareholders of the Company (other than Holdings, Acquisition or any other subsidiary of Holdings) would receive cash and shares of common and preferred stock of Holdings. Holdings and Acquisition are newly-

formed corporations organized in connection with the transactions contemplated by the Merger Agreement. Holdings is a wholly owned subsidiary of National Amusements, Inc., a Maryland corporation ("National Amusements"), all of the voting stock of which is controlled by Sumner M. Redstone. National Amusements and its affiliates owned, as of the record date, 6,972,400 shares of Common Stock, par value $1.00 per share, of the Company (the "Company Common Stock"), constituting approximately 19.0% of the shares of Company Common Stock outstanding on such date, all of which will be voted in favor of the Merger.

As a result of the Merger, each outstanding share of Company Common Stock, other than any shares owned by Holdings (which will hold not less than 6,881,800 shares of Company Common Stock at the Effective Time pursuant to a capital contribution to it by National Amusements), Acquisition or any other subsidiary of Holdings, shares held in the treasury of the Company and shares in respect of which dissenters' rights are perfected under the Ohio General Corporation Law, would be converted into (i) the right to receive $42.75 in cash, plus an interest factor in an amount equal to simple interest on such cash amount from May 1, 1987 through the effective time of the Merger (the "Effective Time") at an annual rate of 9% from May 1 through May 31, 1987 and 12% thereafter (the "Interest Factor"), (ii) 0.30097 of a share of Cumulative Exchangeable Redeemable Preferred Stock, par value $0.01 per share, of Holdings (the "Exchangeable Preferred Stock"), accruing dividends from May 1, 1987 and (iii) 0.20 of a share of Common Stock, par value $0.01 per share, of Holdings (the "Holdings Common Stock"), all as more fully described herein. The cash (including the additional cash to be paid as a result of the Interest Factor) and shares of Exchangeable Preferred Stock and Holdings Common Stock payable to shareholders for their shares of Company Common Stock are hereinafter referred to as the "Merger Consideration". The Exchangeable Preferred Stock will be exchangeable, at any time at Holdings' option, for Junior Subordinated Exchange Debentures of

Holdings (the "Exchange Debentures"). The Exchangeable Preferred Stock and the Exchange Debentures, if issued, will be subject to optional redemption by Holdings at any time at their respective liquidation preference and principal amount plus all accrued but unpaid dividends or interest, as the case may be.

Following the Effective Time, Holdings will be a public company and, assuming (i) the conversion and exercise prior to the Effective Time of all outstanding securities and warrants convertible into or exercisable for shares of Company Common Stock, (ii) the settlement of all outstanding options to acquire shares of Company Common Stock ("Company Options") for the Merger Consideration and (iii) the failure of any shareholders to perfect dissenters' rights ((i), (ii) and (iii) collectively being hereinafter referred to as "full participation in the Merger"), will have approximately 53.3 million shares of Holdings Common Stock and approximately 13.99 million shares of Exchangeable Preferred Stock outstanding. The Company's securityholders who become entitled to receive Merger Consideration will own approximately 17.4% of the Holdings Common Stock outstanding immediately following the Effective Time and National Amusements will own approximately 82.6% of such stock, in each case assuming full participation in the Merger. *Immediately following the Merger, National Amusements will therefore be in a position to elect all the directors of Holdings and to control its business policies.* For a description of the expected equity and voting interest in Holdings, see "OWNERSHIP OF COMPANY AND HOLDINGS CAPITAL STOCK—Holdings Capital Stock". For a description of Holdings and National Amusements, see "CERTAIN INFORMATION REGARDING HOLDINGS, ACQUISITION AND NATIONAL AMUSEMENTS".

The consummation of the Merger is subject, among other things, to the receipt of certain regulatory approvals which may not be obtained prior to the date of the Special Meeting of Shareholders and to the availability of the necessary financing. See "RISK FACTORS" and "THE MERGER AGREEMENT—Covenants and Conditions".

There are significant risks associated with the Merger and with an investment in the Exchangeable Preferred Stock, the Holdings Common Stock and, if issued, the Exchange Debentures. For a description of the terms of such securities, as well as such risks and certain significant financial considerations associated therewith, see "RISK FACTORS", "CERTAIN FEDERAL INCOME TAX CONSEQUENCES" and "DESCRIPTION OF HOLDINGS' CAPITAL STOCK".

THIS PROXY STATEMENT, WHICH IS BEING FURNISHED TO THE COMPANY'S SHAREHOLDERS FOR PURPOSES OF VOTING UPON THE AFOREMENTIONED MERGER AGREEMENT, ALSO CONSTITUTES THE PROSPECTUS OF HOLDINGS FOR THE RELATED ISSUANCE OF THE EXCHANGEABLE PREFERRED STOCK, THE HOLDINGS COMMON STOCK AND, IF AND WHEN ISSUED, THE EXCHANGE DEBENTURES. This Proxy Statement/Prospectus also relates to and covers the resale of shares of Holdings Common Stock and shares of Exchangeable Preferred Stock issuable to certain officers of the Company. See "MANAGEMENT OF THE COMPANY—Executive Officers".

The Merger Agreement and the transactions contemplated thereby involve matters of great importance to the shareholders of the Company. If the proposal to adopt the Merger Agreement is approved and the Merger is consummated, the public shareholders of the Company will no longer own any of the Company Common Stock, but instead will receive $42.75 in cash (plus the additional cash payable as a result of the Interest Factor) and Exchangeable Preferred Stock and Holdings Common Stock, giving such shareholders a greatly reduced, indirect equity interest in the Company. Shareholders are urged to read and consider carefully the information contained in this Proxy Statement/Prospectus and to consult with their personal financial and tax advisors.

* * * *

The date of this Proxy Statement/Prospectus is May 4, 1987.

* * * *

SUMMARY OF PROXY STATEMENT/PROSPECTUS

* * * *

Purpose of the Special Meeting

At the Special Meeting, the holders of shares of Company Common Stock will be asked to consider and vote upon a proposal to adopt the Merger Agreement by and among Holdings, Acquisition and the Company. Holdings and Acquisition are newly-formed corporations organized in connection with the transactions contemplated by the Merger Agreement and are wholly owned subsidiaries of National Amusements. See "INTRODUCTION—The Special Meeting", "THE MERGER AGREEMENT" AND "CERTAIN INFORMATION REGARDING HOLDINGS, ACQUISITION AND NATIONAL AMUSEMENTS".

* * * *

Vote Required to Adopt the Merger Agreement

The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock entitled to vote at the Special Meeting is required to adopt the Merger Agreement. See "INTRODUCTION—Voting Rights and Proxy Information". As of the Record Date, National Amusements and its affiliates owned 6,972,400 shares of Company Common Stock, constituting approximately 19.0% of the shares outstanding on such date. National Amusements will, and its affiliates intend to, vote all such shares in favor of the Merger.

* * * *

Background of the Merger

On September 16, 1986, at a meeting of the Company's Board of Directors, MCV Holdings, Inc., a Delaware corporation ("MCV Holdings") organized by certain members of the Company's senior management (the "Management Group"), The First Boston Corporation ("First Boston"), Donaldson, Lufkin & Jenrette Securities Corporation

("DLJ"), Drexel Burnham Lambert Incorporated ("Drexel") and The Equitable Life Assurance Society of the United States ("ELAS") for the purpose of effecting a leveraged buyout of the Company, presented to the Board its proposal to acquire the Company in a leveraged buyout transaction (the "MCV Merger") in which shareholders of the Company would receive, for each share of Company Common Stock, $37.00 in cash and a fraction of a share of Exchangeable Preferred Stock of MCV Holdings (the "MCV Exchangeable Preferred Stock") designed to have an expected market value of $3.50 on a fully distributed basis (the "Initial MCV Proposal"). At that meeting, the Board of Directors of the Company established the Special Committee of the Board of Directors, consisting of its eight independent directors (the "Special Committee"), to review the Initial MCV Proposal.

The Special Committee retained a financial advisor, Goldman, Sachs & Co. ("Goldman Sachs"), and legal advisors and carefully reviewed and considered the Initial MCV Proposal with the assistance of such advisors. During the course of negotiations, MCV Holdings offered an increase in the aggregate consideration of the Initial MCV Proposal, on October 5, 1986 and again on October 6, 1986, to $35.00 in cash and a fraction of a share of MCV Exchangeable Preferred Stock designed to have an expected market value of $9.00 on a fully distributed basis (the "Modified MCV Proposal"). On October 6, 1986, the Special Committee rejected the Modified MCV Proposal as inadequate. On October 15, 1986, MCV Holdings presented to the Board of Directors another proposal to acquire the Company in an MCV Merger in which shareholders of the Company would receive (i) $37.00 in cash, (ii) a fraction of a share of MCV Exchangeable Preferred Stock to be chosen following a negotiation between Goldman Sachs and the financial advisors to MCV Holdings as to the fraction which would have an expected market value of $7.00 on a fully distributed basis and (iii) a fraction of a share of convertible preferred stock of MCV Holdings (the "MCV Convertible Preferred Stock") convertible, in the aggregate, into 10% of the common equity securi-

ties of MCV Holdings outstanding on a fully diluted basis immediately following consummation of an MCV Merger (the "Revised MCV Proposal").

As a result of continuing negotiations conducted on behalf of the Special Committee with MCV Holdings, the Revised MCV Proposal was subsequently modified on October 17, 1986 to provide that the Company's shareholders would receive (i) $37.00 in cash, (ii) such fraction of a share of MCV Exchangeable Preferred Stock as would, in the opinion of the respective financial advisors of MCV Holdings and the Company, have an expected market value of $7.00 on a fully distributed basis and (iii) a fraction of a share of MCV Convertible Preferred Stock convertible, in the aggregate, into 20% of the common equity securities of MCV Holdings outstanding on a fully diluted basis immediately following consummation of the MCV Merger (the "MCV Merger Consideration"). The Special Committee and the Board of Directors of the Company each unanimously determined that the terms of the Revised MCV Proposal, as modified, providing for the MCV Merger Consideration were fair to, and in the best interests of, the public shareholders of the Company, and, on October 17, 1986, the Company entered into a merger agreement (the "MCV Merger Agreement") with MCV Holdings reflecting the foregoing terms.

On February 2, 1987, Holdings delivered a proposal (the "First Holdings Proposal") to the Special Committee for the acquisition of the Company by Holdings in a merger transaction pursuant to which each holder of Company Common Stock, other than Holdings (which would hold not less than 6,881,000 shares of Company Common Stock at the effective time of the merger transaction pursuant to a capital contribution to it by National Amusements), would receive (i) $37.50 in cash, (ii) such fraction of a share of Exchangeable Preferred Stock of Holdings as would, in the opinion of the respective financial advisors of Holdings and the Company, have an expected market value on a fully distributed basis of $7.25 and (iii) the same common equity interest in the acquiring

company as was contemplated by the MCV Merger Agreement.

On February 9, 1987, the Special Committee, after considering the advice of counsel and Goldman Sachs concerning, among other things, the relative certainty of, and estimated timetables for, consummation of an acquisition of the Company by MCV Holdings and Holdings, concluded that the First Holdings Proposal overall was not more favorable than the acquisition transaction contemplated by the MCV Merger Agreement.

On February 13, 1987, National Amusements, Holdings and their financial advisors and the Company executed a letter agreement pursuant to which National Amusements and Holdings were given access to certain information concerning the Company, in consideration of which Holdings and National Amusements agreed to maintain the confidentiality of such information and National Amusements and Holdings and such advisors agreed to certain restrictions relating to purchases of Company Common Stock.

On February 22, 1987, Holdings increased its offer (the "Second Holdings Proposal") to provide for a merger transaction pursuant to which each holder of Company Common Stock, other than Holdings, would receive (i) $40.50 in cash, (ii) such fraction of a share of Exchangeable Preferred Stock of Holdings as would, in the opinion of the respective financial advisors of Holdings and the Company, have an expected market value on a fully distributed basis of $6.00 and (iii) the same common equity interest in the acquiring company as was offered in the First Holdings Proposal. In addition, the Second Holdings Proposal provided that if the Merger was not consummated by April 30, 1987 (other than by reason of a breach by the Company of any of its obligations under the Merger Agreement), (a) interest would accrue on the cash portion of the Merger Consideration at an annual interest rate of 8% from May 1, 1987 to the date of the consummation of the Merger and (b) dividends would commence to accrue on the Exchangeable Preferred Stock from May 1, 1987.

In response to the Second Holdings Proposal, on February 26, 1987, MCV Holdings offered to increase the MCV Merger Consideration to (i) $38.00 in cash, (ii) such fraction of a share of MCV Exchangeable Preferred Stock as would, in the opinion of the respective financial advisors of MCV Holdings and the Company, have an expected market value on a fully distributed basis of $8.00 and (iii) shares of MCV Convertible Preferred Stock convertible, in the aggregate, into 25% of the common equity securities of MCV Holdings outstanding on a fully diluted basis immediately after consummation of the MCV Merger (the "First MCV Amended Offer").

Holdings responded to the First MCV Amended Offer by raising its offer, on March 1, 1987, to (i) $42.00 in cash, (ii) such fraction of a share of Exchangeable Preferred Stock as would, in the opinion of the respective financial advisors of Holdings and the Company, have an expected market value on a fully distributed basis of $7.50, and (iii) the same common equity interest offered in the Second Holdings Proposal (the "Third Holdings Proposal"). In addition, the Third Holdings Proposal increased the rate at which interest is to accrue on the cash portion of the Merger Consideration as described above to 9% per annum from May 1, 1987 to May 31, 1987 and to 12% per annum thereafter, while retaining the provision for the commencement of the accrual of dividends on the Exchangeable Preferred Stock on May 1, 1987.

On March 1, 1987, MCV Holdings submitted a revised offer to purchase the Company pursuant to a recapitalization merger in which the Company's shareholders would receive (i) $38.50 in cash, (ii) such fraction of a share of MCV Exchangeable Preferred Stock as would, in the opinion of the respective financial advisors of MCV Holdings and the Company, have an expected market value on a fully distributed basis of $8.50 and (iii) a fraction of a share of MCV Convertible Preferred Stock convertible, in the aggregate, into 45% of MCV Holdings' common equity securities outstanding on a fully diluted basis immediately following consummation of the MCV Merger (the "Second MCV Amended Offer").

On March 2, 1987, Holdings raised its offer (the "Final Holdings Proposal") to the Merger Consideration.

On March 3, 1987, the Special Committee met with its financial and legal advisors to review and consider the Final Holdings Proposal and the Second MCV Amended Offer. During the course of the Special Committee's deliberations, in the early morning of March 4, 1987, MCV Holdings revised the Second MCV Amended Offer by increasing the amount of MCV Exchangeable Preferred Stock included therein to $9.50 (the "Final MCV Amended Offer").

Goldman Sachs reviewed the Final MCV Amended Offer and discussed it with the Special Committee. Based on the Special Committee's review and consideration of the Final Holdings Proposal and the Final MCV Amended Offer, the Special Committee unanimously determined that the Final Holdings Proposal was more favorable to the public shareholders of the Company than the Final MCV Amended Offer, and that the terms of the Final Holdings Proposal were fair to, and in the best interests of, the Company and the shareholders of the Company (other than National Amusements) and unanimously determined to recommend that the Board of Directors approve the Merger Agreement and that the Board of Directors recommend the adoption of the Merger Agreement by the shareholders of the Company.

Subsequently, on March 4, 1987, a meeting of the full Board of Directors of the Company was held at which the principal terms of the Merger Agreement were reviewed and the Special Committee unanimously recommended that the full Board approve and authorize the execution and delivery of the Merger Agreement. Following such deliberations, the Board of Directors voted to approve and authorize the execution and delivery of the Merger Agreement, the eight members of the Special Committee voting in favor of such action and the four directors not serving on the Special Committee voting against such approval. The MCV Merger Agreement was terminated, and the Merger Agreement was executed, later the same day.

For a detailed discussion of the background of the Merger, see "BACKGROUND OF THE MERGER AND RELATED MATTERS—Background of the Merger".

Recommendation of the Company's Special Committee and Board of Directors

The Board of Directors recommends that the Company's public shareholders vote for approval and adoption of the Merger Agreement.

For a detailed description of the factors considered by the Company's Special Committee and Board of Directors and their reasons for approving the Merger, see "BACKGROUND OF THE OFFER AND RELATED MATTERS—Recommendations of the Company's Special Committee and Board of Directors; Reasons for the Merger".

Opinion of Financial Advisor

Goldman Sachs were originally retained by the Special Committee on behalf of the Company to act as the financial advisor to the Special Committee to advise the Special Committee as to the fairness of the amount of financial consideration to be paid to the public shareholders pursuant to the Initial MCV Proposal. Goldman Sachs have continued to act as financial advisor to the Special Committee in connection with negotiations leading to the MCV Merger Agreement, the Merger Agreement and the Merger, which negotiations were at all times subject to the approval of the Special Committee. No limitations were imposed by the Company or any of its affiliates with respect to the opinion rendered by Goldman Sachs, except that they were not authorized to solicit, and did not solicit, other potential purchasers of the Company or any of its constituent businesses. Goldman Sachs have delivered their written opinion to the Special Committee, a copy of which is appended hereto as Annex C, that, based upon and subject to the matters contained in such opinion letter, as of the date hereof the Merger Consideration to be received by the holders of Company Common Stock (other than Holdings, Acquisition or any other subsidiary of Holdings) pursuant to the Merger Agreement is fair to such holders. See "BACKGROUND OF THE MERGER AND RELATED MATTERS—Background of the Merger", and "—Opinion of Financial Advisor" and Annex C. Shareholders are urged to read the opinion of Goldman Sachs, which is set forth in its entirety in Annex C hereto, for a description of the procedures followed, assumptions made, areas of reliance upon others and other matters considered by Goldman Sachs in rendering such opinion. For information regarding the opinion and the fees paid or to be paid to Goldman Sachs, see "BACKGROUND OF THE MERGER AND RELATED MATTERS—Opinion of Financial Advisor".

Purpose of and Reasons for the Merger

National Amusements' purpose for causing Holdings to engage in the transactions contemplated by the Merger Agreement is to greatly increase National Amusements' equity interest in, and to obtain control of, the Company. Although National Amusements believes that an investment in Holdings involves significant risks, due principally to the highly leveraged consolidated capital structure of Holdings and the high debt service requirements, National Amusements, which is willing to assume such risks, believes that such financial leverage also presents the opportunity for correspondingly high returns. Conversely, the Company's shareholders are being given the opportunity to realize a significant proportion of the value of their Company Common Stock on a current basis, and are being asked to assume a significantly smaller proportion of the risks involved in an investment in Holdings. See "RISK FACTORS". For a more detailed description of National Amusements' purpose and reasons for the Merger, see "BACKGROUND OF THE MERGER AND RELATED MATTERS—Purpose of and Reasons for the Merger".

* * * *

Dissenters' Rights

Holders of Company Common Stock who do not vote in favor of the Merger may elect to receive the fair cash value

of their shares, based on all relevant factors and excluding any element of value arising from the accomplishment or expectation of the Merger, as claimed by them and agreed upon by the Company or as judicially appraised, and paid to them in cash, if the Merger is consummated. Such shareholders must deliver a written demand for payment of the fair cash value of their shares to the Company not later than 10 days after the vote on the Merger Agreement is taken at the Special Meeting and must comply with the other requirements of Section 1701.85 of the Ohio General Corporation Law (the "GCL"), the full text of which is attached to this Proxy Statement/Prospectus as Annex D. Any failure to comply with all such requirements may result in a forfeiture of dissenters' rights. See "RIGHTS OF DISSENTING SHAREHOLDERS".

* * * *

(Exhibits 2 and 3 to Mishkin Affidavit omitted in printing)

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO. 87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of Viacom, Inc. and, alternatively, Viacom International, Inc.

Plaintiff,

—vs.—

KEITH R. GOLLUST, PAUL E. TIERNEY, JR., AUGUSTUS K. OLIVER, GOLLUST TIERNEY and OLIVER, GOLLUST & TIERNEY, INC., CONISTON PARTNERS, CONISTON INSTITUTIONAL INVESTORS, BAKER STREET PARTNERS, WJB ASSOCIATES, HELSTON INVESTMENT INC., VIACOM INC., and VIACOM INTERNATIONAL, INC.

Defendants.

AFFIDAVIT AND ACCOMPANYING RULE 3(G) STATEMENT

ORAL ARGUMENT REQUESTED

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

IRVING MALCHMAN, being duly sworn, deposes and says:

1. I am a member of Kaufman Malchman Kaufmann & Kirby, counsel for plaintiff Ira Mendell.

2. I make this affidavit to set forth several facts that are not in dispute.

3. The original issuer herein was Viacom International Inc. ("old Viacom") whose common stock was listed and traded

on the New York Stock Exchange. The plaintiff, Ira Mendell, who owned 1,200 shares of the common stock of old Viacom, commenced the instant 16(b) action in January 1987.

4. As result of a corporate restructuring that occurred on or about June 3, 1987 ("restructuring"), old Viacom became the wholly owned subsidiary of Viacom, Inc. ("new Viacom") (Ex. A hereto, p.2). More precisely, a wholly owned subsidiary of new Viacom was merged into old Viacom, which thereby became the indirect wholly owned subsidiary of new Viacom (*Ibid*).

5. As a result of the restructuring, the shareholders of old Viacom received cash and also 17% of the common and preferred stock of new Viacom (Mishkin Aff., Ex. 1, pp.1-2). As noted, the name of new Viacom is "Viacom, Inc. (Ex. A) (instead of "Viacom International, Inc." (old Viacom)) and the common and preferred stock of new Viacom are listed and traded on the American Stock Exchange.

6. Prior to the restructuring, new Viacom was a shell corporation incorporated in Delaware for the purpose of acquiring old Viacom (Ex. A, p.2). The only significant asset of new Viacom is old Viacom (*Ibid.*).

7. As a result of the restructuring, plaintiff herein, who owned 1,200 shares of the common stock of old Viacom continuously at all times material to this action, is now a shareholder of new Viacom.

/s/ IRVING MALCHMAN
IRVING MALCHMAN

Sworn to before me this
20th day of June, 1988

(*Remainder of jurat*
omitted in printing)

[Exhibit A to Malchman Affidavit]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1987.
Commission File Number 1-9553.

Viacom Inc.
(Exact name of registrant as specified in its charter)

Delaware	04-2949533
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Elm Street, Dedham, MA	02026
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(617) 461-1600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	American Stock Exchange
Cumulative Exchangeable Redeemable Preferred Stock, $0.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

As of March 22, 1988, 53,334,037 shares of Viacom Inc. Common Stock, $0.01 par value, were outstanding and the aggregate market value of such shares of Viacom Inc. Common Stock (based upon the closing price of $24⅝ of these shares on the American Stock Exchange on that date) held by non-affiliates was approximately $220,028,000.

PART I

Item 1. *Business.*

Background

Viacom International Inc. (sometimes hereinafter referred to as "Viacom", the "Company" or the "Predecessor Company") was organized in the state of Delaware in August 1970 as a wholly-owned subsidiary of CBS Inc. ("CBS") for the purpose of owning the television program distribution and cable television businesses of CBS. In June 1971, immediately after the transfer of these businesses to the Company, CBS distributed its interest in the Company to the holders of its common stock on a pro rata basis (the "Spin-Off"). The transfer of these businesses to the Company and the Spin-Off were necessitated by prohibitions of the Federal Communications Commission (the "FCC") against ownership by a television network of television program distribution or cable

television businesses. The Company was reincorporated in the state of Ohio on April 17, 1975.

Viacom Inc. (formerly known as Arsenal Holdings, Inc.) (sometimes hereinafter referred to as "Holdings") was organized in the state of Delaware in November 1986 for the purpose of acquiring the Company in a merger transaction and, prior to such merger had no significant assets and did not engage in any activities other than those incidental to its formation, such merger and the financing thereof.

On June 9, 1987, a wholly-owned subsidiary of Viacom Inc. was merged with and into the Company (the "Merger"). As a result of the Merger, the Company became an indirect wholly-owned subsidiary of Viacom Inc. which is an approximately 83% owned subsidiary of National Amusements, Inc., a closely-held corporation which owns and operates approximately 400 movie screens in 14 states.

Pursuant to an agreement of merger, dated as of March 3, 1987 (the "Merger Agreement"), each share of Viacom common stock (other than dissenting shares and shares held by Viacom, Viacom Inc. or a subsidiary of Viacom Inc.) was converted on June 9, 1987, into the right to receive (i) $43.20 in cash, (ii) 0.30097 of a share of Viacom Inc. Cumulative Exchangeable Redeemable Preferred Stock (the "Exchangeable Preferred Stock") accruing dividends from May 1, 1987 and (iii) 0.20 of a share of Viacom Inc. Common Stock (collectively, the "Merger Consideration").

General Development of Business

Viacom Inc.'s principal executive offices are located at 200 Elm Street, Dedham, Massachusetts 02026; its principal assets are investments in wholly-owned subsidiaries which own the common stock of the Company.

The Company is a diversified entertainment and communications company with its principal executive offices located at 1211 Avenue of the Americas, New York, New York 10036. The Company is principally engaged in the businesses of: television program and feature film distribution for television

exhibition in domestic and international markets, television program production and advertising service operations through its Entertainment Group; cable television operations through its Cable Division ("Viacom Cable"); the operation of satellite delivered entertainment networks for pay and advertiser-supported cable television through its Networks segment; and the ownership and operation of television and radio stations through its Broadcast Group.

The Company and its affiliated companies currently employ approximately 4,800 persons.

Financial Information About Industry Segments

The contribution to revenues and earnings before income taxes of each industry segment and the identifiable assets attributable to each industry segment for each of the three years in the period ended December 31, 1987, are set forth in Note 15 ("Business Segments") to the Consolidated Financial Statements of Viacom Inc. and the Company included elsewhere herein.

Financial Information About Foreign and Domestic Operations

Financial information relating to foreign and domestic operations for each of the three years in the period ended December 31, 1987, is set forth in Notes 13 and 15 ("Foreign Operations and Business Segments") to the Consolidated Financial Statements of Viacom Inc. and the Company included elsewhere herein.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO. 87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of Viacom, Inc. and, alternatively, Viacom International, Inc.

Plaintiff,

—against—

KEITH R. GOLLUST, PAUL E. TIERNEY, JR., AUGUSTUS K. OLIVER, GOLLUST TIERNEY and OLIVER, GOLLUST & TIERNEY, INC., CONISTON PARTNERS, CONISTON INSTITUTIONAL INVESTORS, BAKER STREET PARTNERS, WJB ASSOCIATES, HELSTON INVESTMENT INC., VIACOM INC., and VIACOM INTERNATIONAL, INC.

Defendants.

NOTICE OF APPEAL

Notice is hereby given that Plaintiff, Ira L. Mendell, hereby appeals to the United States Court of Appeals for the Second Circuit from an order of the Court dated November 8, 1988, granting defendants' motion for summary judgment dismissing the complaint, and from each and every part thereof.

Dated: New York, New York
December 5, 1988

KAUFMAN MALCHMAN KAUFMANN & KIRBY

By: /s/ IRVING MALCHMAN
(A Member of the Firm)
919 Third Avenue
New York, New York 10022
(212) 371-6600

Attorneys for Plaintiff

TO: CLEARY, GOTTLIEB, STEEN
& HAMILTON
One State Street Plaza
New York, New York 10004
(212) 344-0600

Attorneys for Defendants other than Viacom Incorporated, and Viacom International, Incorporated

HUGHES, HUBBARD & REED
One Wall Street
New York, New York 10005
(212) 709-7000

Attorneys for Defendants Viacom Incorporated, and Viacom International, Incorporated

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO. 87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of Viacom, Inc. and, alternatively, Viacom International, Inc.,

Plaintiff,

—against—

KEITH R. GOLLUST, et al.,

Defendants.

AFFIDAVIT

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

IRVING MALCHMAN, being duly sworn, deposes and says:

1. I am a member of Kaufman Malchman Kaufmann & Kirby, counsel for plaintiff Ira Mendell. I make this affidavit in support of the instant motion by plaintiff for an order pursuant to Fed. R. Civ. P. 60(b) relieving plaintiff of the order of the Court dated November 8, 1988 and the judgment of the Court dated January 17, 1989 which order and judgment granted defendants motion for summary judgment and dismissed the complaint.

2. Plaintiff, as owner of stock in Viacom International, Inc. ("International"), sued under Section 16(b) of the Securities Exchange Act of 1934 to recover short-swing profits made in the common stock of International. After commencement of the action and as a result of a corporate restructuring, International became the wholly-owned subsidi-

ary of Viacom, Inc. ("Viacom"). Also as a result of the restructuring, plaintiff became a shareholder of Viacom and was no longer a shareholder of International.

3. By opinion and order dated November 8, 1988 (Exhibit A hereto), the Court granted defendants' motion for summary judgment and dismissed the complaint. The basis of the Curt's [sic] opinion of dismissal was that plaintiff was no longer a shareholder of International, the original "issuer". Plaintiff duly appealed from the order of dismissal.

4. The Court subsequently entered judgment dated January 17, 1989 (Exhibit B hereto) granting defendants' motion for summary judgment and dismissing the complaint.

5. On January 9, 1989, before entry of judgment by the Court, plaintiff purchased a senior subordinated note of International, which is traded on the American Stock Exchange. A copy of plaintiff's confirmation slip for the purchase of this note is annexed hereto as Exhibit C. Plaintiff is thus now the owner of a security of International so that he now has unquestionable standing to maintain the instant 16(b) action.

6. On February 16, 1989, a pre-argument conference respecting plaintiff's appeal was held before the Hon. Stanley A. Bass, Staff Counsel of the Court of Appeals. It was determined that plaintiff's contention that he now has unquestionable standing to maintain this 16(b) action was a matter that should be first heard in this Court through a Rule 60 motion. Accordingly, plaintiff's appeal was placed upon inactive status provided that plaintiff made a Rule 60 motion by March 2, 1989 (Exhibit D hereto).

7. For the foregoing reasons, it is respectfully submitted that plaintiff's instant motion pursuant to Rule 60(b) relieving plaintiff of the Court's order of dismissal dated November 8, 1988 and the Court's judgment of dismissal dated January 17, 1989 should be granted in all respects.

/s/ IRVING MALCHMAN
IRVING MALCHMAN

Sworn to before me this
2nd day of March, 1989.

(Remainder of jurat omitted in printing)

(Exhibits to Malchman Affidavit omitted in printing)

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of VIACOM INTERNATIONAL, INC. and VIACOM, INC.,

Plaintiff,

—against—

KEITH R. GOLLUST, *et al.*,

Defendants.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

AFFIDAVIT OF EDWIN B. MISHKIN

EDWIN B. MISHKIN, being duly sworn, deposes and says:

1. I am a member of the bar of the State of New York and the bar of this Court and am a member of the law firm of Cleary, Gottlieb, Steen & Hamilton, attorneys for defendants herein other than Viacom International, Inc. and Viacom, Inc.

2. Attached hereto as Exhibit A is a true and correct copy of the first page of a Viacom International, Inc. prospectus, indicating that the bond purchased by plaintiff was part of an issue that was offered to the public in July 1988.

Dated: New York, New York
March 24, 1989

/s/ EDWIN B. MISHKIN
EDWIN B. MISHKIN

Sworn to before me this
23rd day of March, 1989

(Remainder of jurat omitted in printing)

[Exhibit A to Mishkin Affidavit]

PROSPECTUS

$500,000,000

Viacom International Inc.

$300,000,000 11.80% Senior Subordinated Notes due 1998
$200,000,000 11.50% Senior Subordinated Extendible Reset Notes

(Interest payable January 15 and July 15)

This Prospectus relates to the issuance by Viacom International Inc. (the "Company") of $300,000,000 aggregate principal amount of 11.80% Senior Subordinated Notes due 1998 (the "Senior Subordinated Notes") and $200,000,000 aggregate principal amount of 11.50% Senior Subordinated Extendible Reset Notes (the "Reset Notes" and, together with the Senior Subordinated Notes, the "Notes").

The Senior Subordinated Notes and the Reset Notes will be subordinated in right of payment to all of the Company's Senior Indebtedness (as defined) and will rank pari passu with each other and with the Company's outstanding 14.75% Senior Subordinated Discount Debentures due 2002 (the "Discount Debentures"). As of March 31, 1988, the outstanding amount of Senior Indebtedness was approximately $2.18 billion. Additional Senior Indebtedness and other Indebtedness (as defined) may be incurred by the Company from time to time, subject to certain restrictions in the Indenture. See "Description of Notes."

The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after July 15, 1991, at the redemption prices set forth herein plus accrued interest, if any, to the date of redemption, except that the Company may not redeem Senior Subordinated Notes prior to July 15, 1993, directly or indirectly

from or in anticipation of borrowed funds having an interest cost of less than 11.80%.

The Reset Notes initially will bear interest at the rate of 11.50% per annum, through and including July 15, 1991. The Reset Notes will mature on July 15, 1991 unless the Company exercises its option (the "Extension Option") in such year, in which case the Reset Notes will mature on July 15, 1998. Unless otherwise consented to by its senior lenders, the Company must exercise the Extension Option. The Company may exercise the Extension Option at any time from May 15 to June 15 of 1991. If the Extension Option is not exercised, the Company will pay the principal amount of the Reset Notes, plus a premium of 1% of such amount on July 15, 1991. If the Extension Option is exercised, the interest rate on the Reset Notes, if necessary, will be increased on July 15, 1991 to a rate to be determined on the basis of market rates in effect on July 5, 1991 by two nationally recognized investment banking firms chosen by the Company (the "Reset Agents"), presently expected to be Drexel Burnham Lambert Incorporated and Bear, Stearns & Co. Inc. (or, in the event such firms cannot agree on such rate, by another nationally recognized investment banking firm chosen by the Company) as the rate that the Reset Notes should bear in order to have a market value of 100% of principal amount immediately after the resetting of the rate. In no event will the reset interest rate on the Reset Notes be lower than 11.50%. The redemption provisions applicable to the Reset Notes after July 15, 1991 will be determined by the Company in consultation with the Reset Agents prior to the interest rate reset.

Application has been made to list the Senior Subordinated Notes and the Reset Notes on the American Stock Exchange (the "ASE").

See "Risk Factors" for a description of certain factors that should be considered by investors.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	Underwriting Discount (2)	Proceeds to Company (1)(3)
Per Senior Subordinated Note...	100%	2.75%	97.25%
Total	$300,000,000	$8,250,000	$291,750,000
Per Reset Note	100%	2.75%	97.25%
Total	$200,000,000	$5,500,000	$194,500,000

(1) Plus accrued interest, if any, from July 28, 1988.
(2) The Company has agreed to indemnify the Underwriters against certain liabilities including liabilities under the Securities Act of 1933. See "UNDERWRITING."
(3) Before deducting expenses payable by the Company, estimated at $1,050,000.

The Notes are being offered by Drexel Burnham Lambert Incorporated and Bear, Stearns & Co. Inc. (the "Underwriters"), subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to approval of certain legal matters by counsel. It is expected that delivery of the Notes will be made against payment therefor on or about July 28, 1988, at the offices of Drexel Burnham Lambert Incorporated, 60 Broad Street, New York, New York.

Drexel Burnham Lambert INCORPORATED

Bear, Stearns & Co. Inc.

July 22, 1988

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO. 87 Civ. 0085 (MBM)

IRA L. MENDELL, in behalf of Viacom, Inc. and, alternatively, Viacom International, Inc.,

Plaintiff,

—against—

KEITH R. GOLLUST, *et al.*,

Defendants.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

REPLY AFFIDAVIT
ORAL ARGUMENT REQUESTED

IRVING MALCHMAN, being duly sworn, deposes and says:

1. I am a member of Kaufman Malchman Kaufmann & Kirby, counsel for plaintiff Ira Mendell. I make this reply affidavit in support of the instant motion by plaintiff for an order pursuant to Fed. R. Civ. P. 60(b) relieving plaintiff of the order of the Court dated November 8, 1988 and the judgment of the Court dated January 17, 1989 which order and judgment granted defendants motion for summary judgment and dismissed the complaint.

2. Plaintiff purchased Internationl's [sic] note in January 1989. This purchase was made as soon as it occurred to plaintiff's counsel (1) that any security holder of International could maintain a 16(b) action here and (2) that notes of International were available to be purchased. As appears

from defendants' papers, these notes were not even issued by International until July 1988.

3. Plaintiff purchased the note for the reason that he did not want his meritorious 16(b) action to be defeated upon the technical ground of lack of standing because of a corporate restructuring which occurred after commencement of this action.

4. There was no litigation strategy to first litigate defendants' motion for summary judgment based upon lack of standing and then, if unsuccessful, to purchase International's note. Plaintiff had nothing to gain by unnecessarily litigating the motion for summary judgment when the entire problem of standing could have been obviated simply by purchase of the note.

/s/ IRVING MALCHMAN
IRVING MALCHMAN

Sworn to before me this
3rd day of April, 1989.

(Remainder of jurat omitted in printing)